

## Workers Compensation Cost Drivers



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- Premium Trends
- Drivers – Symptom or Problem?



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## Premium Trend

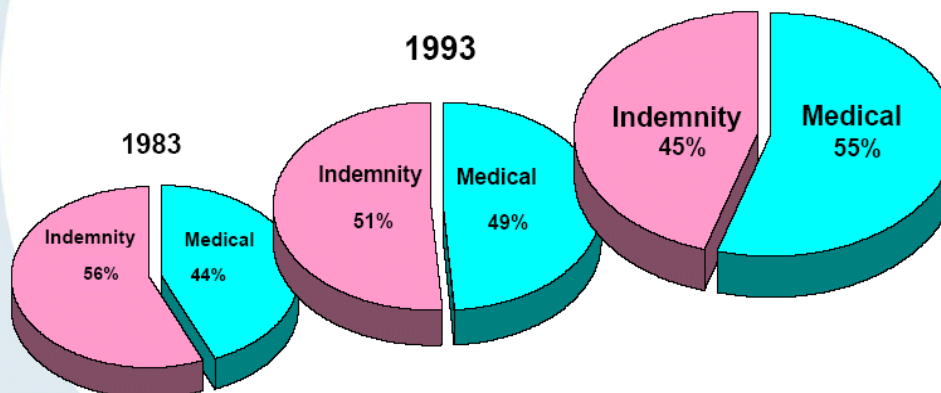
- Changes in Payroll
  - Number of employees
  - Wages – Raises/COLAs
- Benefit Costs
  - Frequency of claims
  - Severity of claims
    - Medical Payments
      - Rehabilitation – vocational and physical
    - Indemnity Payments – income and impairment ratings
- Medical inflation rate

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## Workers Compensation Medical Losses Are More Than Half of Total Losses

All Claims – NCCI States

2003p



2003p: Preliminary based on data valued as of 12/31/2003  
1983, 1993: Based on data through 12/31/2002, developed to ultimate  
Based on the states where NCCI provides ratemaking services  
Excludes the effects of deductible policies  
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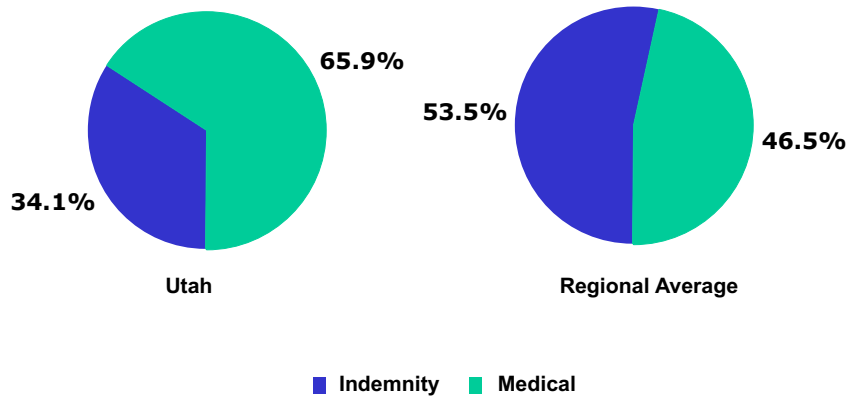
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## Indemnity and Medical Benefit Costs

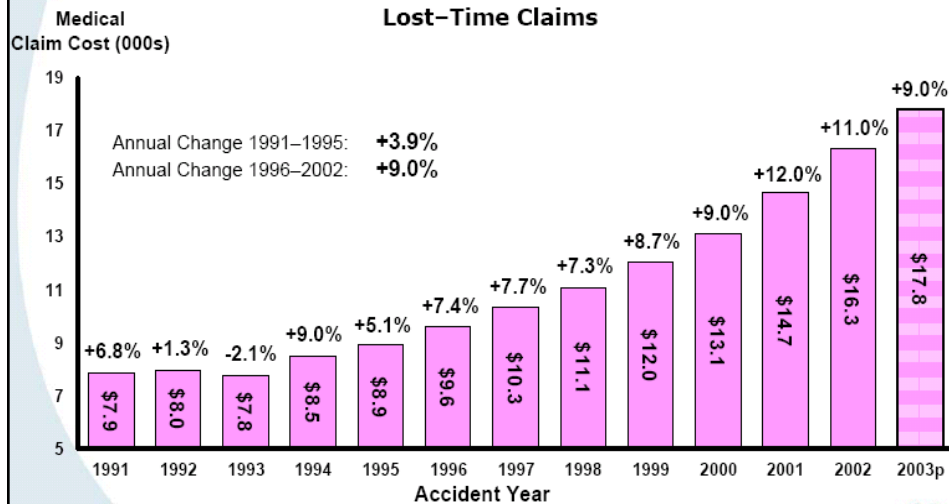


Regional states are Arizona, California, Colorado, Nevada, and New Mexico.

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## Workers Compensation Medical Claim Cost Trends Continue to Climb



2003p: Preliminary based on data valued as of 12/31/2003  
1991-2002: Based on data through 12/31/2002, developed to ultimate  
Based on the states where NCCI provides ratemaking services  
Excludes the effects of deductible policies

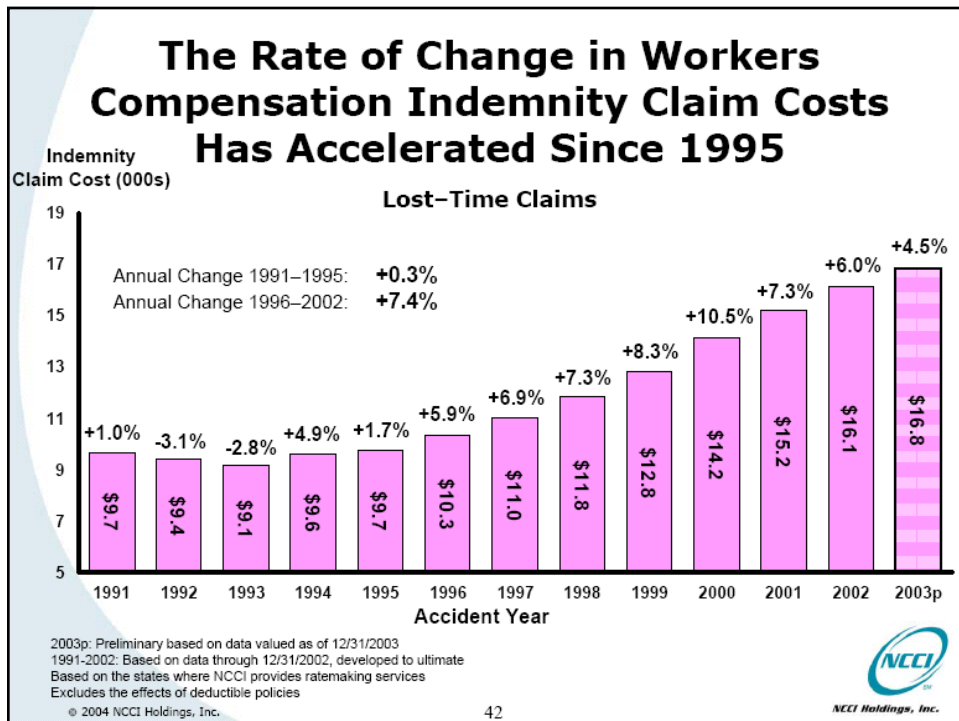
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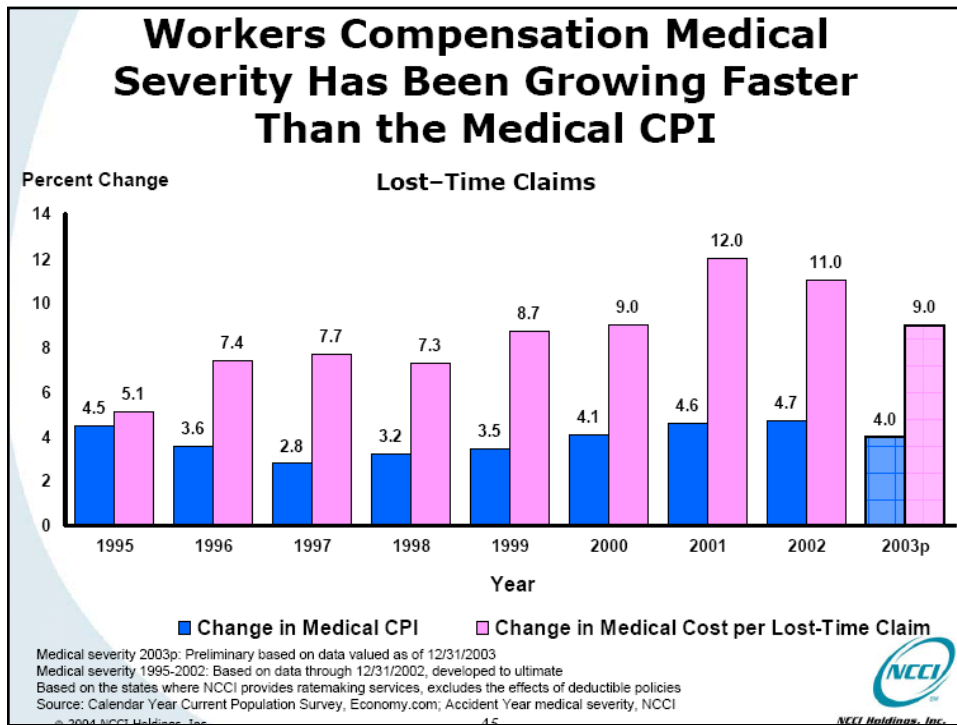


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## Many Cost Drivers Are Symptoms



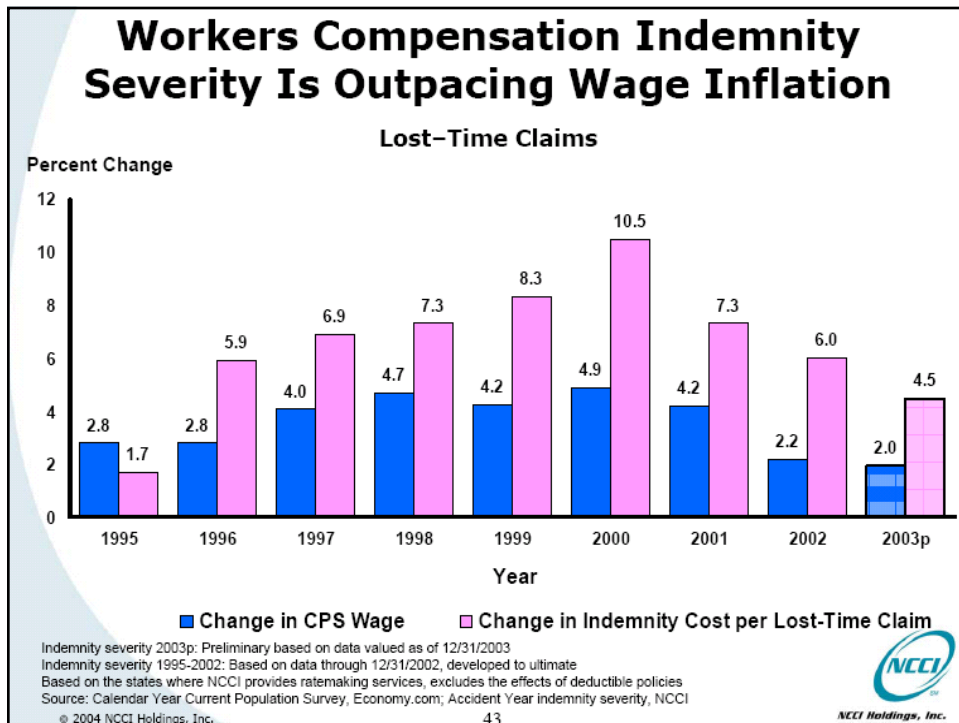
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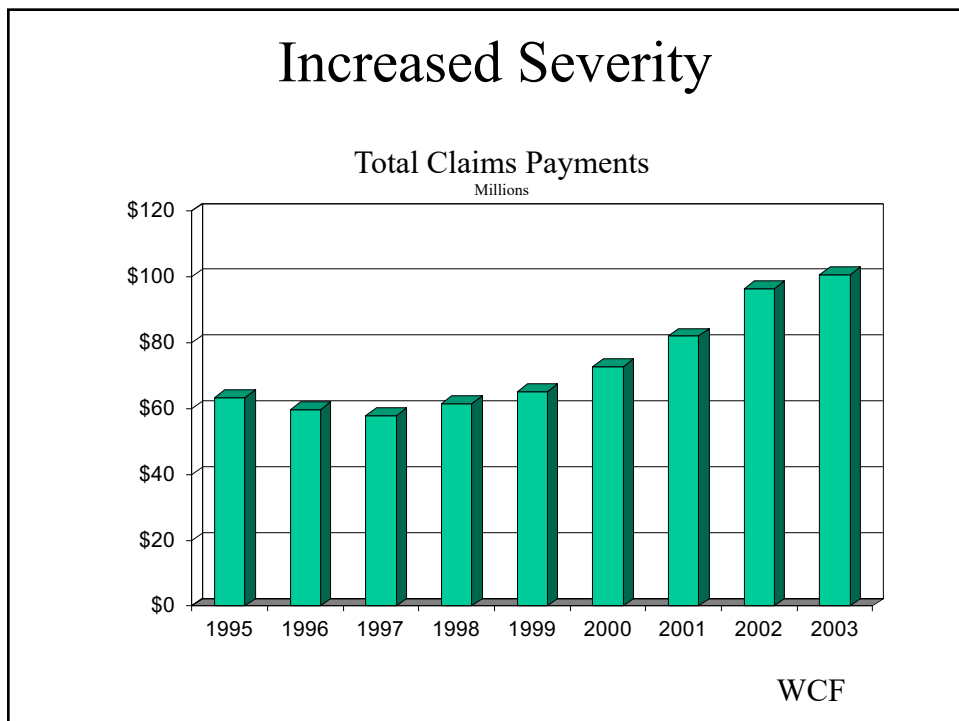
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Medical CPI				
Type of spending	1996	2000	2001	2002
Hospital care	100	106	109.7	115.1
Physician and clinical services	100	113.1	117.2	120.5
Other professional services	100	114.2	118.4	122
Dental services	100	119.5	124.4	130
Other personal health care	100	114.3	119.6	125.2
Home health care	100	114.2	118.4	122
Nursing home care	100	113.3	118.6	122.4
Prescription drugs	100	117.5	123.9	130.3
Other non-durable medical products	100	103.9	105.1	105.1
Durable medical equipment	100	107.5	110.9	111.6
SOURCE: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group.				

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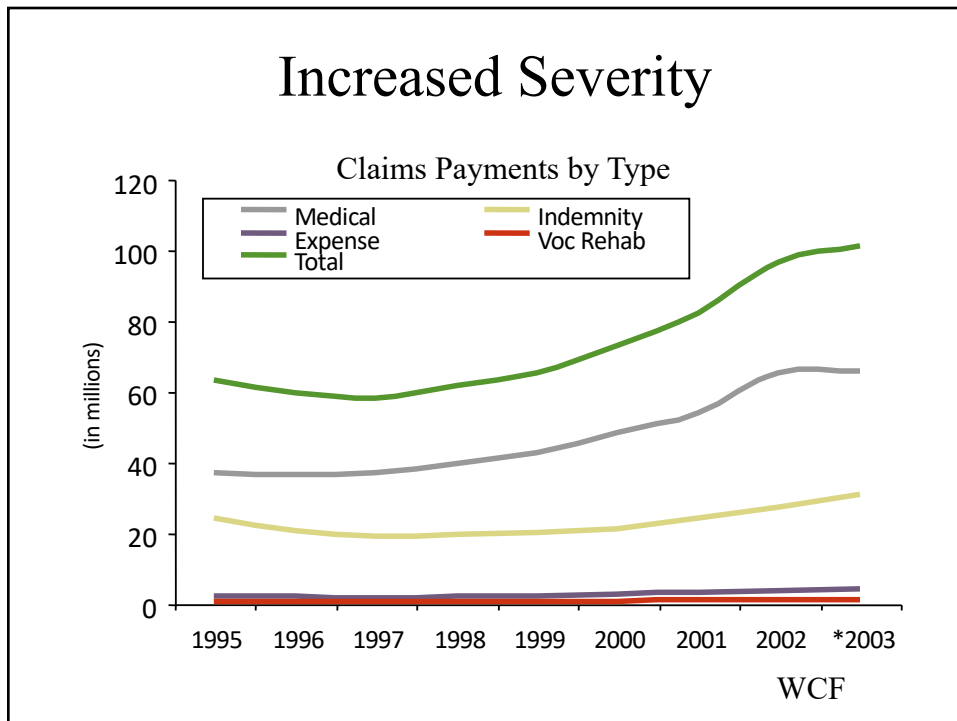


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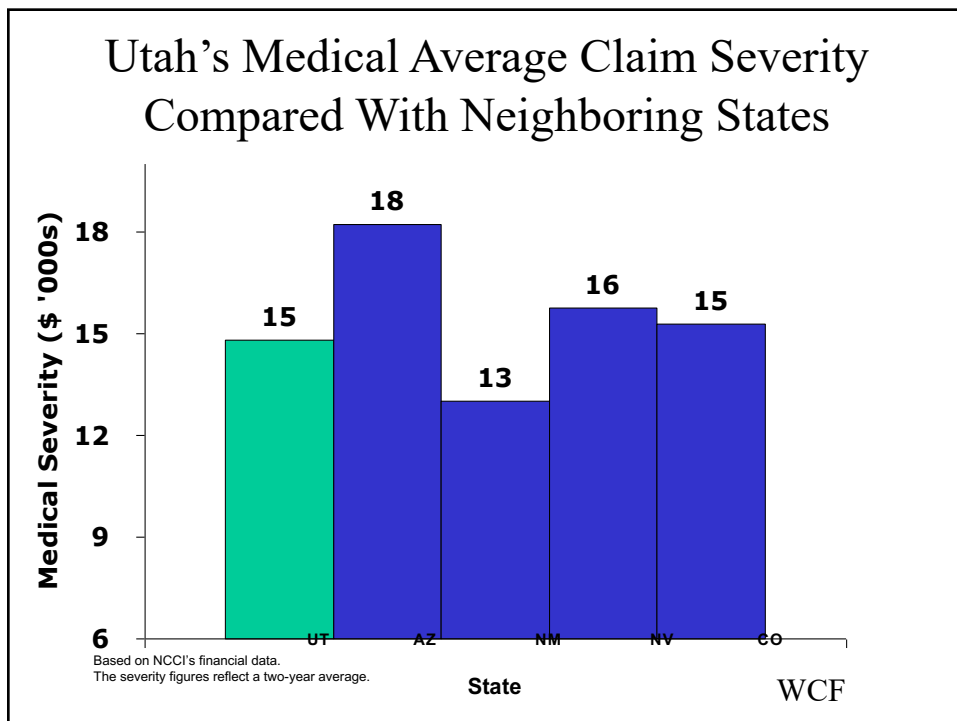
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## Increased Severity

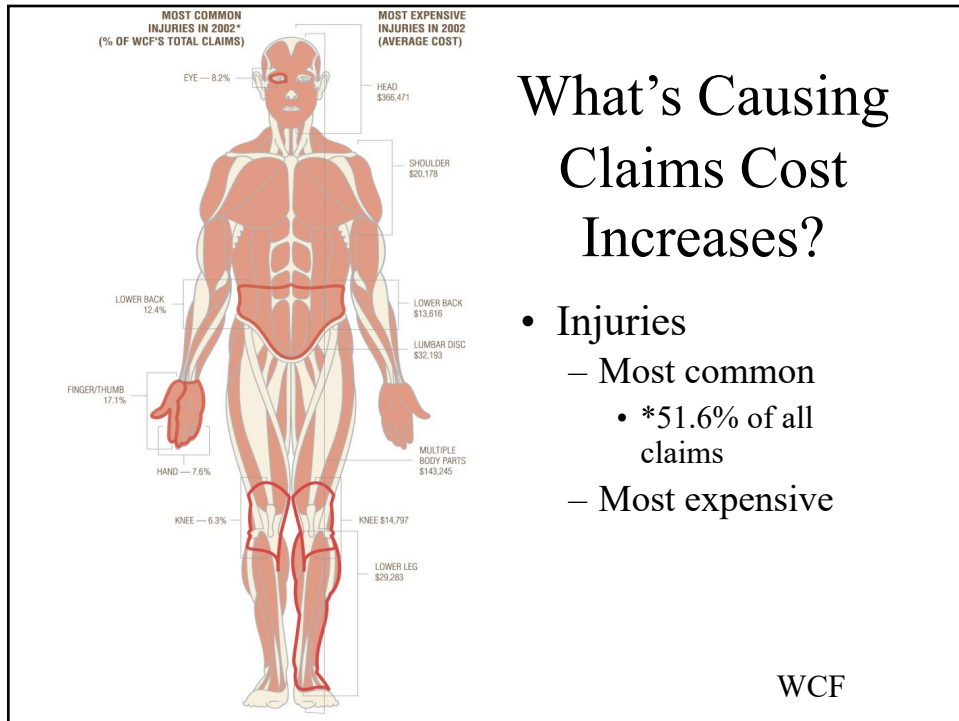


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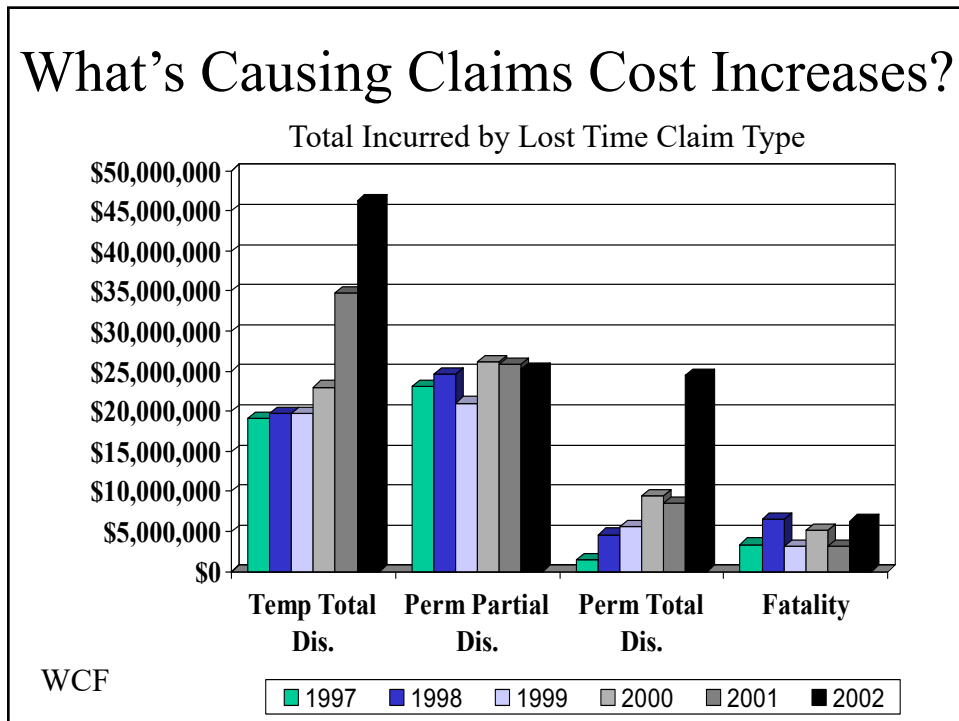
## Utah's Medical Average Claim Severity Compared With Neighboring States



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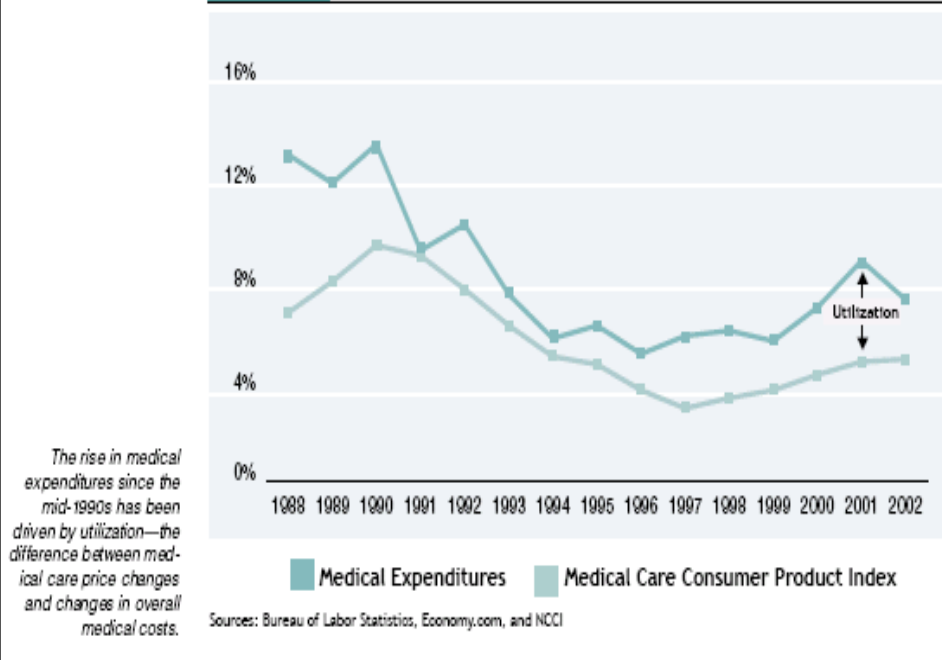
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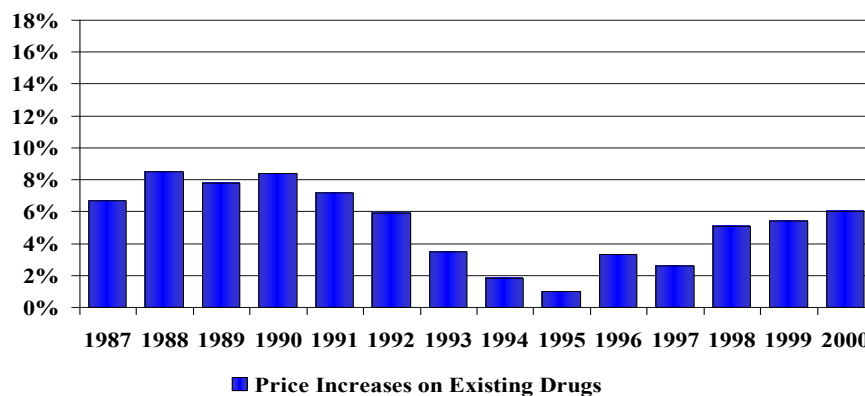
**exhibit 3** Percent Change From Prior Period in Consumer Medical Expenditures



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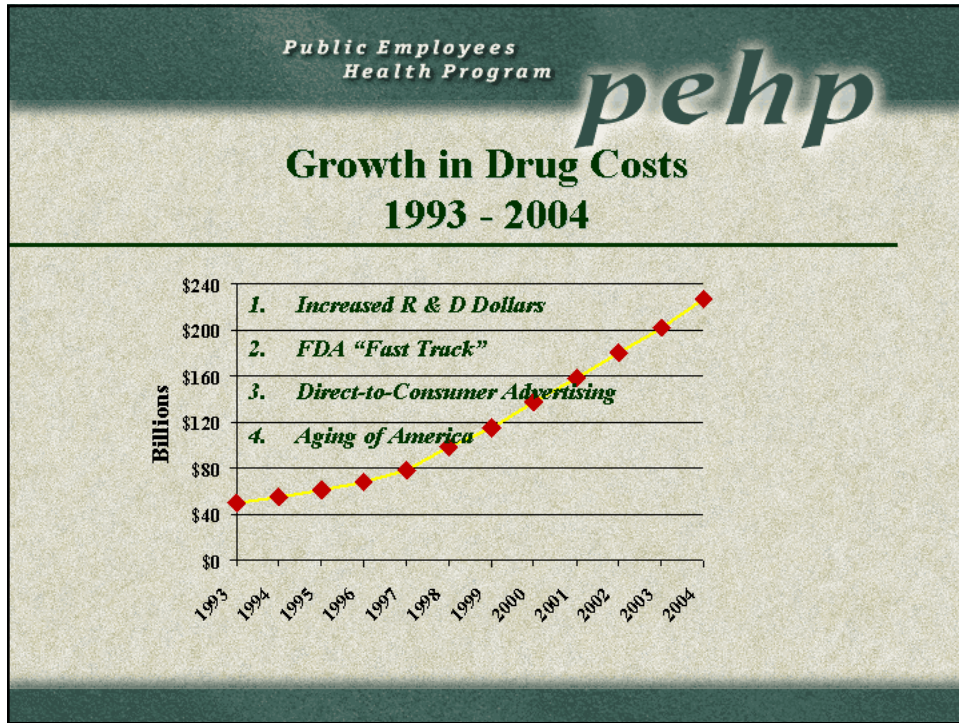
## Annual Price Increases on Existing drugs

### ANNUAL RATE OF INCREASE

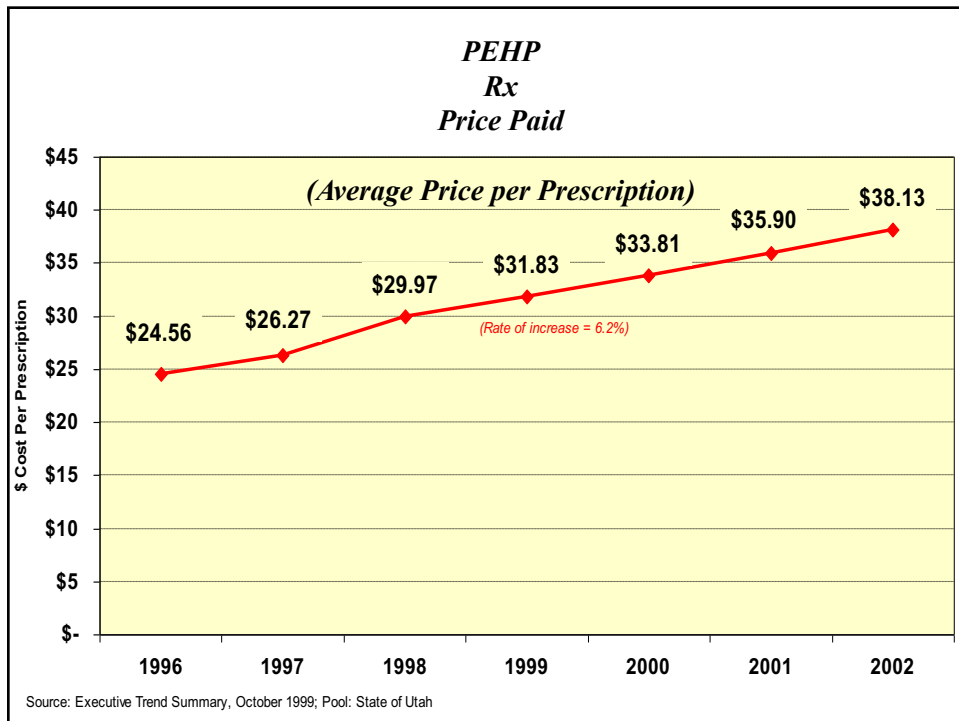


Source: Modern Healthcare April 13, 1998 - Updated through 1998

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### Aging Population

- Today 34 million people age 65+
- 1 million new 65 years olds each year
- By 2030 double 65+ population - 70 million

Annual Prescription  
Utilization by Age

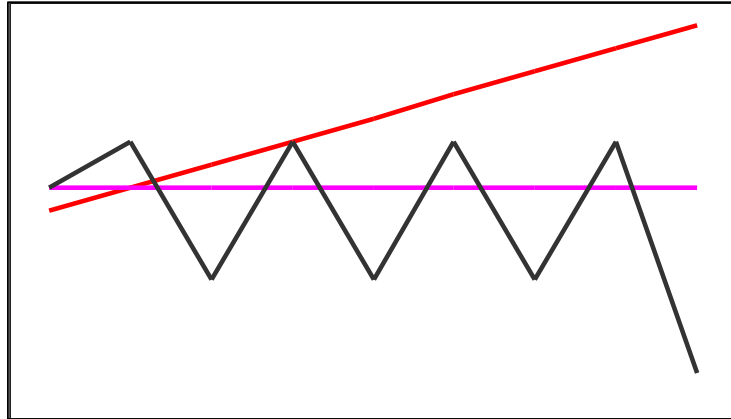
Age	Average Number of Prescriptions per Capita
Under 5	4.53
5 - 14	1.61
15 - 24	1.62
25 - 34	2.09
35 - 44	2.82
45 - 54	4.17
55 - 64	5.47
65 - 74	8.59
75 and Older	11.65

*Source: National Wholesale Druggists' Association. Industry Profile  
and Healthcare Factbook*

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## Investment Income



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## Increased Claims Litigation 1999-2003

- Applications for Hearings up 25%
- Hearings and mediations up 148%
- Total settlement payments up 64%



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## Problem Cost Drivers



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## Drivers to Be Managed

- Culture of Safety – Make it well-known
- Reporting - All accidents reported immediately
- Return employee to work quickly
  - Even if light or restricted duty
  - Insist with departments

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## Drivers to Be Managed

- COMMUNICATION
  - Tell employee what to expect at time of claim
  - Tell employee that you're monitoring claim
  - Follow-up to see if they're having problems



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## Drivers to Be Managed

- Claims – manage aggressively - **IME**
  - Follow-up often
  - Close claims as soon as possible
  - Involve
    - Personnel (HR) or Risk Management
    - Supervisor
    - Claims Adjuster
    - Inform employee

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## Drivers to Be Managed

- Safety Policies and Procedures
  - Review Often
  - Train Often
  - Monitor Compliance
  - Enforce
  - Hold Management and Employees accountable



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## Drivers to Be Managed

Adequate supervision  
Sensible work  
schedules  
Age of equipment  
Sufficient staffing  
levels



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## Employee Drivers

- Poor performer
- Negative Attitude
- Lack of Loyalty
- Feels under-paid



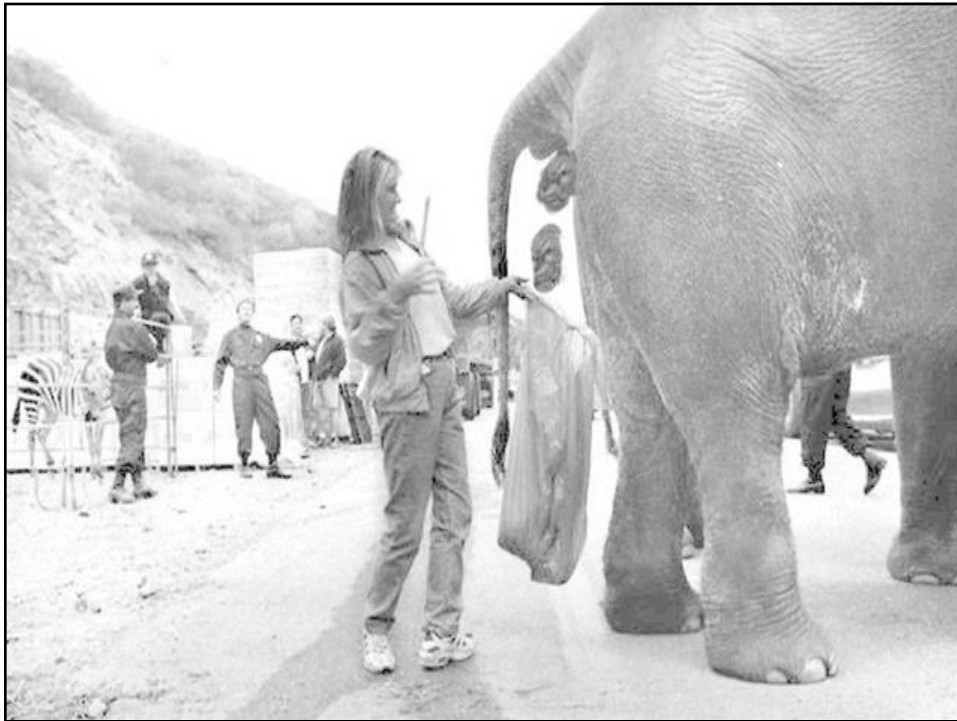
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## Employee Drivers

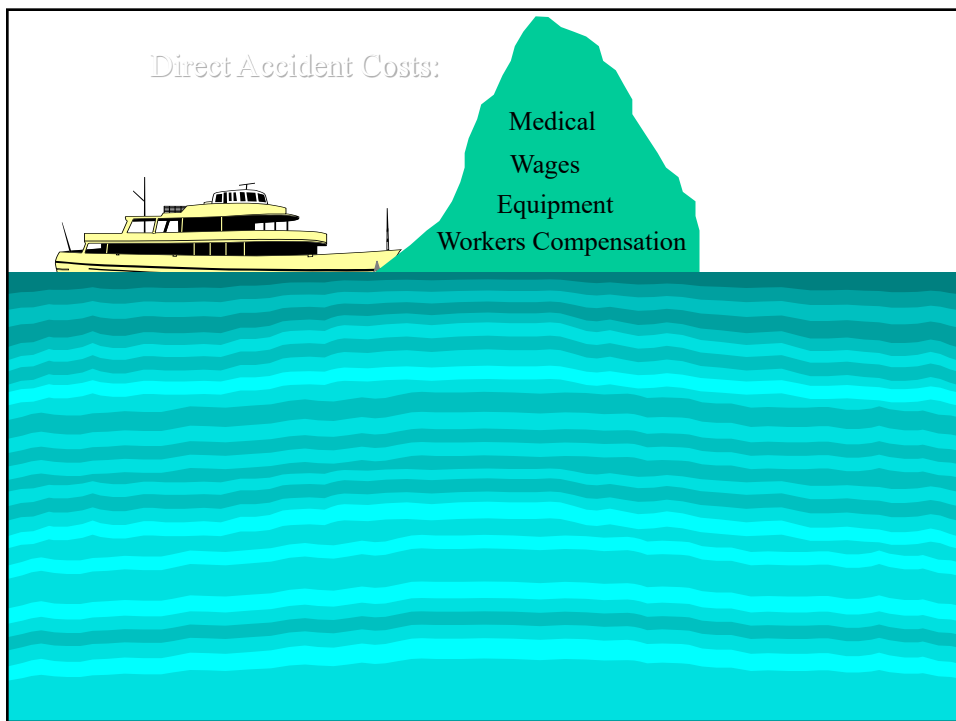
- Skills and experience
- Age
- Willingness to Return to Work
- Situation in home
- Health
- Previous user of workers comp

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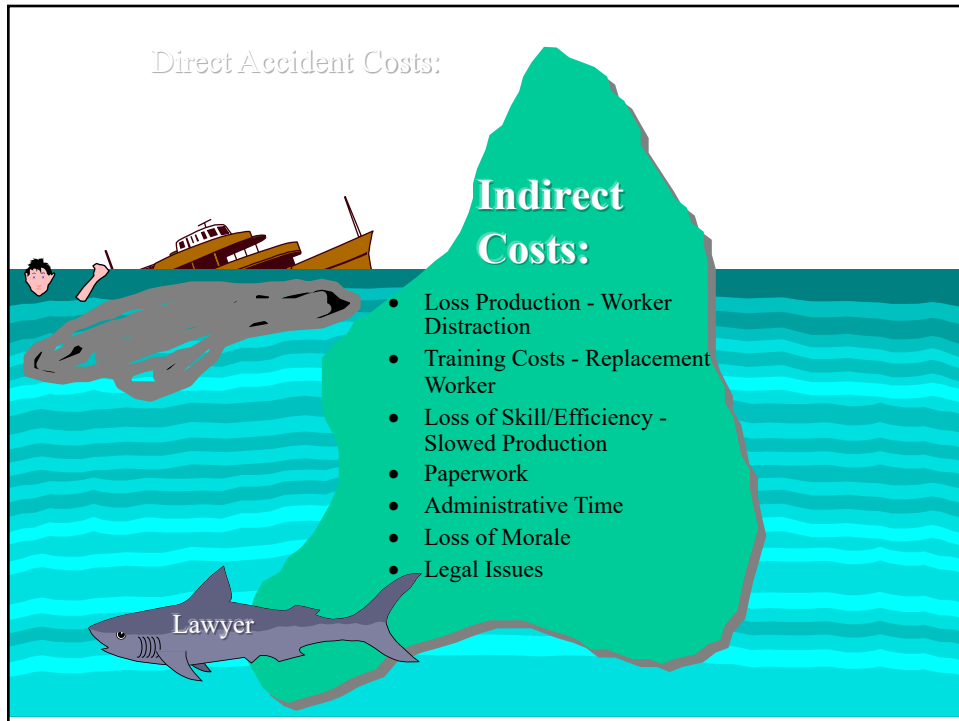




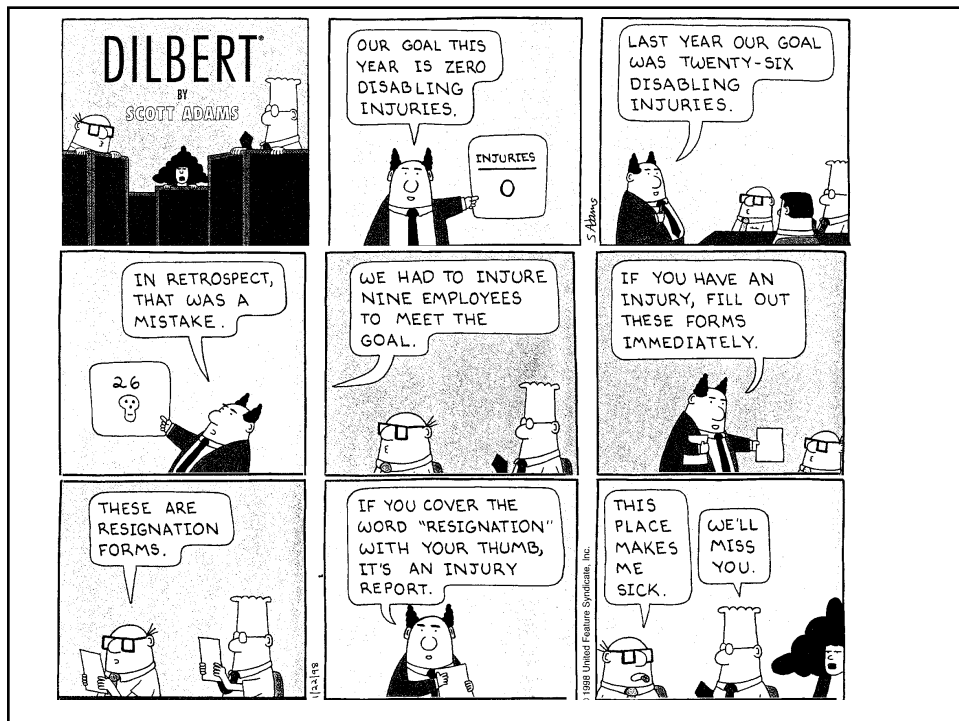
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